

TACC-016/2016

November 10, 2016

Subject: Management Discussion and Analysis for the third Quarter ended September 30, 2016

To: President

The Stock Exchange of Thailand

T.A.C. Consumer Public Company Limited ("the company") would like to clarify the operating results for the third quarter ended September 30, 2016 as follows:

#### Sales

The company has the growth target of sales in 2016 at least 15%. By the 3rd quarter of 2016, the company achieved a revenue of 291.07 million Baht. This had an increase of 43.22 million Baht (17.44%) from the 3rd quarter of 2015 (247.85 million Baht).

For sales in the nine-month period ended September 2016, the company achieved a revenue of 870.81 million Baht. This had an increase of 126.87 million Baht (17.05%) from the same period of previous year (743.94 million Baht), due to the following reasons:

- 1) The company achieved 100.08 million Baht (14.45%) increase from domestic sales, from 692.65 million Baht for the nine-month of 2015 to 792.73 million Baht for the nine-month of 2016. This growth was due to the market coverage expansion of (A) cold dispenser, (B) non-coffee products in All Café (a fresh coffee corner within the 7-Eleven store) and (C) a new product "Japanese Style Donut Original Flavor" under "A Smile" brand being launched in October 2016. In addition, (D) the licensed products in a Cosmetic group using Sanrio's cartoon characters have also been launched exclusively in 7-Eleven in September 2016.
- 2) The company achieved 26.79 million Baht (52.23%) increase from the international sales, from 51.29 million Baht for the nine-month period of last year to 78.08 million Baht this year. This was because the company has widened its distribution of RTD green tea "Zenya" in schools and universities in Cambodia besides dissolving a distribution problem since August 2015.

### Cost of Sales

In the 3rd quarter of 2016, the company incurred 201.77 million Baht as the cost of sales (69.32% of sales) deriving 30.68% gross margin. For the 3rd quarter last year, the company incurred 171.36 million Baht as the cost of sales (69.14% of sales) deriving 30.86% gross margin. The gross margin slightly decreased due to the company sold the new product Japanese style donut, which its average of gross margin was lower than other products.

The cost of sales for the nine-month period ended September 2016 was 603.14 million Baht (69.26 % of sale) generating 30.74 % gross margin. While the same period of previous year was 516.83 million Baht (69.47 % of sale) deriving 30.53 % gross margin. The company was able to achieve an improved percentage of the gross margin due to its focus on those products which delivered the higher gross margin.

### Selling Expenses

In the 3rd quarter of 2016, the company incurred an increase in selling expense by 11.23%, from 40.60 million Baht for the 3rd quarter of 2015 to 45.16 million Baht for the 3rd quarter of 2016. However, in comparison to sales, the company was able to proportionately reduce the spending by 0.95%, from 16.36% in 3rd quarter of 2015 to 15.41% in the same period this year.

For the nine-month period ended September 2016, the company incurred an increase in selling expense by 11.86%, from 114.54 million Baht for the 3rd quarter of 2015 to 128.13 million Baht for the 3rd quarter of 2016. This increase was due to an increase in spending on advertisement of the new hot drink in the dispensing machine beside the existing products and the additional head counts of employees supporting business expansion. However, if we compare selling expenses to sales, the company was able to reduce the spending proportion by 0.74% from 15.37 % in the nine-month of 2015 to 14.63 % in the same period this year.

### Administrative Expenses

In the 3rd quarter of 2016, the administrative expenses were increased by 8.00%, from 16.54 million Baht for the 3rd quarter of 2015 to 17.87 million Baht for the 3rd quarter of 2016.

For the nine-month period ended September 2016, the company incurred an increase in administrative expense by 16.20%, from 44.53 million Baht for the nine-month period of 2015 to 51.74 million Baht the nine-month period of 2016. This increase derived from the additional head counts of employees and investment in an online corporate system to improve and support the future business expansion. .

### Finance Costs

In the 3rd quarter of 2016, the company derived an increase in finance cost of 5.06%, from 0.30 million Baht in the 3rd quarter of 2015 to 0.31 million Baht this year.

For the nine-month period ended September 2016, the company derived a decrease in finance cost of 44.42%, from 1.09 million Baht in the nine-month of 2015 to 0.61 million Baht this year. This was due to the company received a higher cash flow-in from its operating activities. Currently, the company does not have any bank overdrafts and repaid all long term loans to financial institutes.

### Net Profit

The net profit in the 3rd quarter of 2016 and 2015, the company achieved 22.19 million Baht (7.58 % of sale) and 15.33 million Baht (6.18 % of sale) respectively, increased by 44.72%. For the nine-month period ended September 2016 and 2015, the company achieved 73.19 million Baht (8.36 % of sale) and 54.29 million Baht (7.28 % of sale) respectively, increased by 34.83%. The increase of the net profit was achieved mainly due to the focus on the high margin products and controlling expense in budget.

Sincerely yours,



Mr. Chanit Suwanparin

Managing Director

T.A.C. Consumer Public Company Limited